

Message Text

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FM SECSTATE WASHDC
TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 292941 TOSEC 310409

LIMDIS FOR UNDER SECRETARY ROGERS FROM SORENSON

FOLLOWING REPEAT MEXICO 15145 SENT ACTION SECSTATE 30 NOV 76

QUOTE C O N F I D E N T I A L MEXICO 15145

LIMDIS FOR DISTRIBUTION FOR S, D, E, C, P, EB, ARA, S/P,
TREASURY, NSC, FRB ONLY

E.O. 11652: GDS
TAGS: EFIN, MX
SUBJECT: MEXICAN ECONOMIC SITREP

REF: A) STATE 277224, B) MEXICO 15058, C) MEXICO 15076,
D) MEXICO 15064

1. EXCHANGE SYSTEM. PESO CONTINUES TO RISE IN VALUE. YES-
TERDAY, NOV 29, BUYING RATE FOR DOLLARS DROPPED FROM 23 TO
22 PESOS AND THEN FINALLY CLOSED AT 21.75. OPENED AT 21.50
TODAY. SEE REFTEL D FOR DESCRIPTION OF OPERATION OF FOREIGN
EXCHANGE MARKET.

2. OTHER ECONOMIC FRONTS. FARE INCREASES VARYING FROM 20 TO
30 PERCENT WERE DECREED FOR BUSES, DOMESTIC AIRLINES, AND
RAILROADS. THE FEDERAL ELECTRICITY COMMISSION (CFE) DENIED
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CHARGES THAT IT WAS BANKRUPT. IT CLAIMED ITS ASSETS SHOULD

BE ASSESSED AT CURRENT VALUE RATHER THAN ORIGINAL VALUE HENCE COVERING ITS ADDED PESO LIABILITIES. IT DID NOT, HOWEVER, SAY ANYTHING ABOUT DEPRECIATION ALLOWANCES. AS NOTED BEFORE, MOST FIRMS AND FINANCIAL INSTITUTIONS, INCLUDING EVEN GOM-OWNED NACIONAL FINANCIERA AS WELL AS CFE, BECAME ECONOMICALLY INSOLVENT AS THE INCREASE IN VALUE OF THEIR DOLLAR LIABILITIES PROBABLY WIPE OUT THEIR CAPITAL AND RESERVES. THIS IS NO PROBLEM FOR GOM-OWNED INSTITUTIONS AS THE GOM CAN WRITE UP THEIR CAPITAL AND HENCE JACK UP THE MONEY SUPPLY. THIS WILL ADD TO INFLATIONARY PRESSURES. HOWEVER, PRIVATELY OWNED FIRMS DO NOT HAVE ACCESS TO THE PRINTING PRESS AND NEED RELIEF FROM THEIR BANKERS. THE GOM ANNOUNCED YESTERDAY THAT IT WILL ALSO HELP THEM BY ALLOWING THEM TO DEDUCT FROM TAXES THE LOSSES THEY SUFFERED FROM THE FIRST DEVALUATION. HOWEVER, TO EXTENT THIS IS EFFECTIVE FOR THE FIRMS GOM REVENUES WILL BE REDUCED, ADDING TO GOM DEFICIT AND CONSEQUENT INFLATIONARY PRESSURES. SEE REFTELS C AND D FOR DESCRIPTION OF AGRICULTURAL SITUATION DUE TO LAND INVASIONS.

3. RUMORS. WE HEAR RUMORS ARE CIRCULATING WITHIN MILITARY ESTABLISHMENT THAT IMMEDIATELY AFTER DEVALUATION JLP WILL FIX THE VALUE OF THE PESO AT 20 TO THE DOLLAR. SUCH RUMORS COULD BE CONTRIBUTING TO STEADY SALE OF DOLLARS PUCHING UP EXCHANGE RATE.

4. APPOINTMENTS. LATE TODAY LOPEZ PORTILLO IS SCHEDULED TO ANNOUNCE APPOINTMENTS TO MAJOR GOM POLITICAL POSITIONS. HOWEVER, WE NOW KNOW THAT NEW BANK OF MEXICO DIRECTOR GENERAL WILL BE GUSTAVO ROMERO KOLBECK, WHO OCCUPIED SIMILAR POSITION AT GOM DEVELOPMENT BANK, NACIONAL FINANCIERA. ROMERO IS CONSIDERED TO BE REASONABLY CLOSE TO LOPEZ PORTILLO THROUGH THEIR COMMON TEACHING EXPERIENCE, THOUGH IN DIFFERENT FIELDS. ROMERO IS AN ECONOMIST, BUT NOT A BANK-OF-MEXICO-TRAINED ECONOMIST. HE IS PLEASANT, SPEAKS ENGLISH, BUT IS NOT A PARTICULARLY STRONG INDIVIDUAL. HE PROBABLY OWES HIS NEW JOB MORE TO FRIENDSHIP THAN TO HIS STATURE IN THE FINANCIAL WORLD. THE SENIOR BANK OF MEXICO STAFF WAS MEETING WITH ROMERO THIS MORNING. THEIR FUTURE IS UNCERTAIN, BUT MOST ARE LIKELY TO STAY. THE BANK OF MEXICO WAS A SAD SPOT THIS MORNING AS FERNANDEZ-HURTADO WAS HIGHLY REGARDED. THE STAFF BELIEVES CONFIDENTIAL

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HE WAS MADE A SCAPEGOAT FOR PROBLEMS THAT WERE NOT OF HIS OWN DOING. HE DOES NOT APPEAR TO BE GETTING ANOTHER JOB, BUT IS ELIGIBLE FOR A BANK OF MEXICO PENSION.
JOVA

UNQUOTE ROBINSON

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NNN

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